LIBRARY
SUPREME COURT, U. S.

Supreme Court, U.S.
FILED
NOV 26 1971
E. ROBERT SEAVER, CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1971

No. 71-585

THIOKOL CHEMICAL CORPORATION,
Petitioner,

vs.

BURLINGTON INDUSTRIES, INC. AND AVISUN CORPORATION,
Respondents.

RESPONDENT AVISUN'S BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT.

C. FREDERICK LEYDIG
DENNIS R. SCHLEMMER
Attorneys for Respondent Avisun Corporation

AUBREY B. LANK
THEISEN, LANK & KELLEHER
1118 Wilmington Trust Building
Wilmington, Delaware 19801

WILLIAM T. MCCLAIN
910 South Michigan Avenue
Chicago, Illinois 60608

WOLFE, HUBBARD, LEYDIG, VOIT & OSANN, LTD.
One North LaSalle Street
Chicago, Illinois 60602
Of Counsel

INDEX.

PAGE

Questions Presented 1

Statement of the Case 2

Argument 4

Conclusion 5

Table of Cases Cited.

Alamo Refining Co. v. Shell Development Co., 99 F. Supp. 790, 797 (D. Del. 1951) 4

Public Service Commission v. Wycoff, 344 U. S. 237 (1952) 3, 4, 5, 6

Sanford v. Kepner, 195 F. 2d 387, 390 (3d Cir. 1952), aff'd 344 U. S. 13 4

Ski Pole Specialists, Inc. v. McDonald, 159 USPQ 709 (9th Cir. 1968) 4

Tuthill v. Wilsey, 182 F. 2d 1006, 1008 (7th Cir. 1950). 4

Other Authorities Cited.

28 U. S. C. § 1338(a) 2, 3

28 U. S. C. § 2201 5

IN THE

Supreme Court of the United States

OCTOBER TERM, 1971

No. 71-585.

THIOKOL CHEMICAL CORPORATION,
Petitioner,

vs.

BURLINGTON INDUSTRIES, INC. AND AVISUN CORPORATION,
Respondents.

RESPONDENT AVISUN'S BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT.

This brief is in opposition to the Petition of Thiokol Chemical Corporation (hereinafter "Thiokol") for a Writ of Certiorari to review the decision of the U. S. Court of Appeals for the Third Circuit entered September 7, 1971 in Appeal Nos. 19, 166 and 71-1031.

QUESTIONS PRESENTED.

Thiokol's Petition sets forth two questions for review by this Court. The first is directed to the jurisdiction of the District Court (Appeal No. 19,166) and the second concerns the power of the District Court to enjoin Burling-

ton Industries, Inc. (hereinafter "Burlington") from proceeding in what petitioner characterizes as a "later-filed" state court action (Appeal No. 71-1031). This brief is limited to the jurisdictional issue involved in Appeal No. 19,166. Response to the second aspect of the Petition is left to Burlington, the plaintiff in such state court action and the appellant in Appeal No. 71-1031. While the state court action referred to was filed subsequent to the action the District Court dismissed for want of jurisdiction (which was the subject of Civil Action 3782 and Appeal No. 19,166), it was filed prior to the second Thiokol action (Civil Action 3906) in which the injunction against proceeding in the state court was issued by Judge Wright.

Respondent Avisun Corporation (hereinafter "Avisun") disagrees with Thiokol's statement of the jurisdictional issue. That issue—correctly stated—is:

> Does a federal district court have jurisdiction under 28 U. S. C. § 1338(a) to render a declaratory judgment as to the validity and enforceability of licensed patents at a time when the license agreement is in effect and neither the licensee nor its customers have been charged with infringement.

STATEMENT OF THE CASE.

Thiokol's complaint in the original declaratory judgment action against Burlington and Avisun alleges a dispute as to liability for royalties under a then-existing license agreement covering patents owned by the two defendants.

Thiokol and its predecessor had paid royalties to Burlington under the license agreement from its inception in 1964 to the first quarter of 1969. At that time, Thiokol breached the agreement by refusing to pay the specified royalties and then instituted the present action in September of that year. Thiokol's complaint included an allega-

tion that the licensed patents were invalid and prayed for a ruling by the court to that effect. But, it acknowledged that Burlington and Thiokol had a dispute as to whether the latter's production was in fact covered by the license agreement and, therefore, subject to payment of royalties—a pure contract controversy. Thiokol did not allege a charge of infringement by Burlington or Avisun.

It is, indeed, undisputed that neither of the patent owners had ever charged Thiokol or its customers with infringement of the licensed patents prior to the institution of the action. As the District Court correctly observed, there was not and could not be any issue of patent infringement between the licensor and the licensee under an existing license agreement. The essence of the license was to insulate Thiokol from any charge of infringement.

In dismissing the case for lack of jurisdiction, the District Court held that the "rights and remedies of these parties are controlled by the state law of contract" and then following the rationale of *Public Service Commission* v. *Wycoff*, 344 U. S. 237 (1952)—emphasized that the "action is not one arising under the patent laws."

In an attempt to persuade the Court of Appeals that the District Court was wrong on the facts, Thiokol argued for the first time on appeal that when it ceased paying royalties under the agreement its customers were exposed to possible suits for patent infringement even if the license remained in effect. It contended that this provided the requisite "threat" to justify the declaratory judgment. The Court of Appeals, however, found that the patent owners had never threatened to move against Thiokol's customers as infringers and that federal jurisdiction could not be premised on that hypothetical basis. It affirmed the District Court's holding that there was no jurisdiction for a declaratory judgment action by Thiokol under 28 U. S. C. 1338(a).

ARGUMENT.

Thiokol argues in its Petition that the Courts below have misapplied the *Public Service Commission* v. *Wycoff* rule. While apparently conceding that a threatened state court action against a licensee for royalties would not support federal declaratory jurisdiction, Thiokol contends that the Court below ignored the possibility of "threatened action" for patent infringement against Thiokol's customers after Thiokol stopped paying its royalties. The fallacy of that argument is that there was no threatened infringement action against such customers of Thiokol—in fact or in theory. And, Thiokol's complaint carefully avoided alleging that charges or threats had ever been made against its customers. The Court of Appeals, of course, specifically found that none had been made. The status of such purchasers in possession of Thiokol's products is no different than one who makes, uses or sells a patented product but is never charged with infringement or otherwise bothered by the patent owner. It is hornbook law that such facts provide no basis for a declaratory judgment action.

The Court of Appeals holding is completely consistent with the *Wycoff* case. This Court in *Wycoff* held that "it is the character of threatened action . . . which will determine whether there is federal-question jurisdiction." The Court further reiterated the constitutional requirement that the remedy afforded by the Declaratory Judgment Act is available *only* where there exists a justiciable controversy within the jurisdiction of the court. In patent cases, it is well established that there must be some threat or charge of infringement to create the necessary controversy. *Sanford* v. *Kepner*, 195 F. 2d 387, 390 (3d Cir. 1952) aff'd 344 U. S. 13; *Tuthill* v. *Wilsey*, 182 F. 2d 1006, 1008 (7th Cir. 1950); *Ski Pole Specialists, Inc.* v. *McDonald*, 159 USPQ 709 (9th Cir.

1968); *Alamo Refining Co.* v. *Shell Development Co.*, 99 F. Supp. 790, 797 (D. Del. 1951). In the present case no threats had been made against Thiokol or its customers. The requisite controversy was, therefore, lacking.

Thiokol argues, in substance, that a threat of infringement against its customers exists by reason of its own unilateral act of breaching the license contract and the language of the license grant. The agreement provided that royalties were to be paid on all backing materials sold by Thiokol which, but for the license, would infringe any claim of the patents if utilized in the manner described in the patents, and that such payment by Thiokol automatically licensed its customers to use the backing material. Such provisions simply spell out in detail what was inherent in the license grant and provide no substance for petitioner's argument. When a licensee breaches his contract by failing to pay royalties, the owner of a patent has the option of suing for breach of contract or of terminating the agreement and suing the licensee and/or the licensee's customers for infringement. While the license remains in effect the licensor's sole right of action against the licensee is for breach of contract. Absent any threat of suit or charge of infringement against the licensee's customers, a federal district court clearly has no jurisdiction for a declaratory judgment action under 28 U. S. C. § 2201.

Thiokol's theory: that as a result of its unilateral breach of the license contract its customers at some future time *might* be threatened by Burlington for patent infringement and that such possibility is sufficient to establish federal jurisdiction, is imaginative but unrealistic and without legal support. We know of no authority supporting this theory and Thiokol has cited none. Moreover, such proposition is directly contrary to the *Wycoff* rule which requires that there exist a justifiable controversy resulting from a "threatened" federal action.

CONCLUSION.

The petition for Writ of Certiorari should be denied because (1) this Court's ruling in *Wycoff* needs no clarification when applied to the facts of the present case and (2) the Courts below have correctly ruled on the jurisdictional question presented here for review.

Respectfully submitted,

C. FREDERICK LEYDIG
DENNIS R. SCHLEMMER
Attorneys for Respondent Avisun Corporation

AUBREY B. LANK
THEISEN, LANK & KELLEHER
1118 Wilmington Trust Building
Wilmington, Delaware 19801

WILLIAM T. MCCLAIN
910 South Michigan Avenue
Chicago, Illinois 60608

WOLFE, HUBBARD, LEYDIG, VOIT & OSANN, LTD.
One North LaSalle Street
Chicago, Illinois 60602
Of Counsel